



OFFICE OF THE ASSESSOR City of Burlington

City Hall, Room 17, 149 Church Street, Burlington, VT 05401
www.ci.burlington.vt.us/assessor

Voice (802) 865-7114
Fax (802) 865-7116
TTY (802) 865-7142

MEMORANDUM

October 19, 2010

To: Jonathan Leopold, CAO
From: John Vickery, City Assessor

Review of the Business Personal Property Tax and Administration

A brief review of the Business Personal Property Tax:

- 778 businesses have been assessed in fiscal year 2011
- Small businesses with less than \$2,500 in value are exempt from tax (City Charter section 81).
- Total appraised value is \$134,683,500
- Taxes raised from the Business Personal Property Tax \$1,163,000
- Calculation: $\$134,683,500 \times 1.2 \text{ factor} \times .01 \times 0.720 \text{ city tax rate} = \$1,163,653$
- Taxes based on the estimated Fair Market Value by the Cost Approach to value method
- Valuation Method: $\text{Cost at time of purchase} \times \text{index factor (inflation factor)} \times \text{percent good} = \text{Fair Market Value}$
- Business Personal Property Tax is revalued each year and values are estimated at 100% of Fair market value. (Real estate was revalued in 2005 and real values have a level of appraisal at 91% of fair market value).
- Approximately \$7,000 of the Assessor's budget is used for Temporary Help with the clerical duties related to the administration of Business Personal Property.

The following municipalities no longer have the business personal property tax. Many of these municipalities had business personal property tax in the past. I was involved in the phase out process in Williston and South Burlington while working as the former Assessor in those municipalities.

Colchester, Essex Town, Essex Village, Milton, Shelburne, South Burlington and Williston

The following local municipalities have business personal property tax.

Hinesburg - is in the process of phasing out the tax by fiscal year 2012.

Winooski has the tax. It is based on Net Book Value. NBV tends to result in lower values than the fair market value method.

Comments and considerations:

The downside of exempting this tax would be a loss of tax revenue.

Implementation Cost: Preparation of business personal property valuations requires a full time temporary clerk for ten weeks in March through May each year. The cost is around \$7,000 annually. Other staff time is approximately 300 hours each year on administration and implementation at a cost of \$10,000.

Given current staffing and budget the Assessor's staff does the best job it can to fairly implement the tax. All businesses are valued using the same methods and valuation tables. This creates uniformity of values. In addition we will assist businesses with the proper steps to complete the annual Business Personal Property form.

One problem is keeping up with the inventory of businesses that are subject to the tax. Businesses are constantly moving into Burlington, others are moving out of Burlington and some are closing. We need to be notified when this happens. Also, businesses are growing and others are declining.

Given staffing levels auditing of equipment only occurs when it appears that a business has not reported correctly. The great majority of businesses do not get audited for many years. The lack of auditing allows for inaccurate reporting by businesses. Over time many businesses get careless when reporting.

Several hundred businesses did not return the Business Personal Property form. Our office has to estimate the value of their businesses assets based on past submissions and the value of other similar type businesses.

This table demonstrates the loss of tax revenue in the event that the City Charter section 81 were to change the current exemption of \$2,500 to exemption of businesses with assets less than \$12,000; \$20,000 and \$25,000 in asset value.

Appraised value less than	Count of Business with less than	Total value	Total Taxes
12,000	204	\$1,436,740	\$12,410.32
20,000	292	\$2,839,270	\$24,526.84
25,000	344	\$4,012,780	\$34,665.16
Total of all	778	\$134,683,500	\$1,163,653.48